Risk Management and Capital Adequacy Report

Pillar III Report 2019

Klarna Holding AB

(Corp. ID 556676-2356)

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1 Introduction

This Risk Management and Capital Adequacy Report 2019 is made according to the regulatory disclosure requirements set out in the Capital Requirements Regulation (CRR) (Regulation (EU) 575/2013) Part Eight and the Swedish Financial Supervisory Authority (SFSA) regulation FFFS 2014:12. Information in this report pertains to the conditions for Klarna Consolidated Situation with parent company Klarna Holding AB (Corp. ID 556676-2356) as of 31st December 2019, if not otherwise stated. The disclosure is made annually in conjunction with the publication of Klarna's Annual Report on Klarna's website (www.klarna.com). Unless otherwise stated, all figures have been rounded to the nearest thousands of Swedish kronor. Disclosures on changes are based on exact values. In addition, for computational reasons, there may be rounding differences to the exact mathematical values in tables and references.

2 Information on the consolidated situation

Klarna Holding AB, maintains its registered office in Stockholm and is the parent company of the Klarna Holding Group ("the Group" or "Klarna"). The Group is made up of the parent company Klarna Holding AB together with its subsidiaries. The legal structure of the Group as of 31st December 2019 is shown in Figure 1 below. All subsidiaries are fully consolidated in the Group.

Klarna Bank AB (publ) is a registered bank under the supervision of the Swedish Financial Supervision Authority (Finansinspektionen). All regulated activities related to the banking license are conducted in Klarna Bank AB. Billpay GmbH and Sofort GmbH are licensed by BaFin under the Payment Service Act (ZAG) whilst all other foreign subsidiaries conduct market and customer services as well as research and development, none of which falls under any regulated operations.

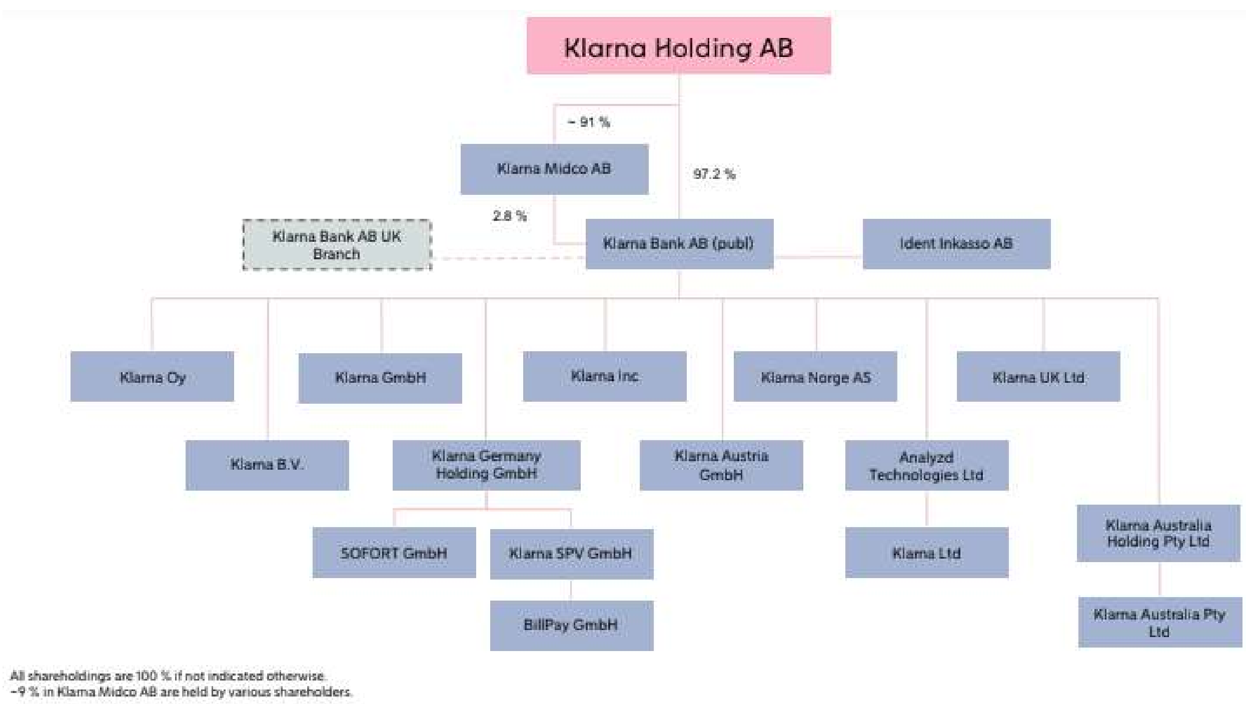

Figure 1 - Organisational structure of Klarna Holding Group

3 Information pertaining the corporate governance

Board members of Klarna Bank AB (publ) are appointed by the shareholders at the Annual General Meeting in accordance with the Swedish Companies Act (2005:551). The board has not adopted any recruitment policy and in practice, board members are nominated and appointed by the shareholders who hold the majority of both the votes and the capital of the company. To ensure that the Board, the Board members and the CEO meet the requirements for sufficient knowledge, insight, experience as well as suitability and diversity, Klarna has established a suitability and diversity policy for the assessment of Board members and persons in key functions.

In accordance with this policy, all Board assignments in Klarna Bank AB shall be based on merit, with the primary purpose to maintain and improve the Board's overall efficiency. A broad set of capabilities and competencies, with regard to age, gender, ethnicity, education and professional background, are sought in order to ensure a well-suited Board. The ambition is to ensure diversity and that the Board members complement each other in order to cover the expertise that is central to Klarna. The Board as a whole has sufficient knowledge and experience to lead Klarna and exhibit necessary diversity regarding the qualities and competencies that Klarna needs. A more detailed presentation of the Board members, their background and other assignments is presented on Klarna's website (www.klarna.com).

4 Risk management

Risk is defined as the possibility of a negative deviation from an expected financial outcome. The Group is through its business activities subject to a number of different risks, including credit risk, market risk, liquidity risk, business risk and operational risk.

The Group has a risk appetite framework in place, set by the Board, which is supported by limits for specific risk areas. The Board and Management also issue written policies and instructions for managing all identified risks, which are complemented by detailed routine descriptions within the organization.

The purpose of risk management is to safeguard the Group's long term survival, manage volatility in financial performance, and increase value for the owners by ensuring efficient risk management. The basis for the risk management and internal control framework is the three lines of defense model. The first line of defense refers to all risk management activities carried out by line management and staff. All managers are fully responsible for the risks, and the management of these, within their respective area of responsibility.

The second line of defense refers to the Group's independent Risk Control and Compliance Functions, which report directly to the CEO and the Board. To ensure independence, these functions are not involved in business operations.

Risk Control has the responsibility to monitor, control, analyze and report on operational and financial risks in the business.

Compliance is responsible for supporting the business and management in compliance matters and for assisting in identifying, reporting and following up on compliance risks, which refer to the risks of Klarna not complying with external and internal rules applicable to Klarna's licensed operations.

Furthermore, the Risk Control and Compliance Functions are responsible for promoting a sound risk and compliance culture across the business by helping to ensure quality, integrity and ethical practices within the business.

The third line of defense refers to the Internal Audit Function which performs independent periodic reviews of the governance structure and the system of internal controls. The Board has appointed Deloitte as internal auditors.

The Audit, Compliance and Risk Committee of the Board has the specific responsibility to discuss, steer and monitor these issues and prepare for decisions by the full Board of Directors.

5 Capital adequacy and leverage ratio

Klarna's Own funds provide the capacity to absorb unexpected losses that are not possible to avoid or mitigate, and ensure that at all points in time a sufficient buffer of financial resources exists to meet regulatory requirements.

The Board is responsible for the overall approval of the capital structure and setting the related risk appetite. The following factors are taken into consideration:

- the minimum capital required by regulations, including capital buffers
- management buffer on top on the minimum capital required by regulations to ensure capital is always sufficient to meet business volatility
- the owners' required rate of return and effective capital management
- the level of capital required for counterparts to consider the Group a reliable partner and to provide efficient access to the funding market

Klarna is obliged to maintain a minimum level of capital in relation to credit, market and operational risk (Pillar I) but also to carry out an internal evaluation of additional capital required for risks not covered elsewhere (Pillar II). See Table 1 and Table 2 below for details on Klarna's capital requirements according to Pillar I as well as Klarna's capital adequacy. Further information on the composition of Klarna's capital base can be found in Appendix 3 to 5. In addition to the capital required by Pillar I and II, Klarna is required to maintain a capital conservation buffer of 2.5% of the total risk exposure as well as a countercyclical capital buffer. The countercyclical capital buffer is currently 1.1% for the Group and 1.2% for Klarna Bank AB. For more information regarding Klarna's countercyclical buffer requirements, see Appendix 6.

Klarna's additional capital required under Pillar II, and the resulting total capital requirement, is assessed through the Group's Internal Capital Adequacy Process and Internal Liquidity Adequacy Assessment Process (ICLAAP). The Klarna's Finance and Risk Control Functions monitor capital adequacy on an on-going basis to ensure that capital requirements and Board limits on capitalization are not breached. Any limit breaches are escalated, and the Group's Financial Recovery Plan provides executive management with a wide range of actions to deploy in case of capital stress.

In addition to the risk-sensitive capital measures discussed above, Klarna regularly monitors its leverage ratio, i.e. Tier 1 capital in relation to total assets and off balance sheet commitments. However, Klarna's business model results in a well-capitalized balance sheet, where excessive debt in relation to capital does not constitute a significant risk.

Own funds disclosure				
SEKk	Consolidated situation		Klarna Bank AB	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Common Equity Tier 1 (CET1) capital: instruments and reserves				
Capital instruments and the related share premium accounts	8,840,376	3,166,720	4,857,892	2,857,892
of which: Share capital	2,278	1,986	52,752	52,752
of which: Share premium	8,838,098	3,164,734	4,805,140	2,805,140
Retained earnings	887,596	817,882	274,521	195,463
Accumulated other comprehensive income (and other reserves)	225,268	190,603	392,318	426,517
Independently reviewed interim profits		103,086		141,824
Common Equity Tier 1 capital before regulatory adjustments	9,953,240	4,278,291	5,524,731	3,621,697
Common Equity Tier 1 (CET1) capital: regulatory adjustments				
Additional value adjustments	-164	-80	-164	-80
Intangible assets (net of related tax liability)	-2,069,884	-1,924,116	-524,607	-401,659
Losses for the current financial year	-865,394		-738,119	
IFRS 9 transitional adjustments to CET1 Capital	421,514	98,150	308,404	107,298
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-2,513,928	-1,826,046	-954,486	-294,441
Common Equity Tier 1 (CET1) capital	7,439,312	2,452,244	4,570,245	3,327,256
Additional Tier 1 (AT1) capital: instruments				
Capital instruments and the related share premium accounts	256,372	256,372	250,000	250,000
of which: classified as equity under applicable accounting standards	256,372	256,372	250,000	250,000
Qualifying AT1 capital included in the consolidated Tier 1 capital issued by subsidiaries and held by third parties	217,433	214,216		
Additional Tier 1 (AT1) capital before regulatory adjustments	473,805	470,588	250,000	250,000
Additional Tier 1 (AT1) capital: regulatory adjustments				
Total regulatory adjustments to Additional Tier 1 (AT1) capital				
Additional Tier 1 (AT1) capital instruments	473,805	470,588	250,000	250,000
Tier 1 capital (T1 = CET1 + AT1)	7,913,117	2,922,833	4,820,245	3,577,256
Tier 2 (T2) capital: instruments and provisions				
Capital instruments and the related share premium accounts			598,325	597,560
Qualifying own funds instruments included in the consolidated Tier 2 capital issued by subsidiaries and held by third parties	535,041	501,494		
Tier 2 (T2) capital before regulatory adjustment	535,041	501,494	598,325	597,560
Tier 2 (T2) capital: regulatory adjustments				
Total regulatory adjustments to Tier 2 (T2) capital				
Tier 2 (T2) capital instruments	535,041	501,494	598,325	597,560
Own funds (TC = T1 + T2)	8,448,158	3,424,327	5,418,570	4,174,816
Total risk exposure amount	26,445,453	22,761,017	28,793,937	24,307,480

Capital ratios and buffer (as percentage of total risk exposure amount)				
Common Equity Tier 1	28.1%	10.8%	15.9%	13.7%
Tier 1	29.9%	12.8%	16.7%	14.7%
Total capital	31.9%	15.0%	18.8%	17.2%
Institution specific buffer requirement (CET1 requirement in accordance with article 92(1)(a) plus capital conservation and countercyclical buffer requirements plus a systemic risk buffer, plus systemically important institution buffer)	8.1%	7.9%	8.2%	7.9%
of which: capital conservation buffer requirement	2.5%	2.5%	2.5%	2.5%
of which: countercyclical buffer requirement	1.1%	0.9%	1.2%	0.9%
Common Equity Tier 1 available to meet buffers	20.0%	2.9%	7.7%	5.8%
Amounts below the thresholds for deduction (before risk-weighting)				
Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions	20,081	20,081	20,081	20,081
Deferred tax assets arising from temporary difference (amount below 10 % threshold, net of related tax liability where the conditions in Article 38(3) are met)	310,666	47,508	233,832	32,313

Table 1 – Own funds disclosure

Capital requirement and risk exposure amounts				
SEKk	**Consolidated situation**		**Klarna Bank AB**	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Risk exposure amounts				
Credit risk according to standardized approach	25,212,408	17,138,774	26,345,704	18,064,760
Market risk according to standardized approach	272,257	252,714	1,491,088	1,367,388
Operative risk according to alternative standardized approach	959,111	5,369,394	955,468	4,875,197
Credit valuation adjustment	1,677	135	1,677	135
Total risk exposure amounts	**26,445,453**	**22,761,017**	**28,793,937**	**24,307,481**
Risk exposure amounts for credit risk according to the standardised approach				
Institutional exposures	404,283	602,536	260,123	562,621
Corporate exposures	1,516,407	1,633,421	3,325,694	2,402,906
Retail exposures	20,713,290	13,832,004	19,900,024	12,995,775
Exposures in default	491,110	691,987	453,612	680,107
Covered bonds	163,359		163,359	
Equity exposures	50,203	71,339	1,355,692	1,193,604
Other items	1,873,756	307,488	887,200	229,747
Total risk exposure amounts for credit risk	**25,212,408**	**17,138,774**	**26,345,704**	**18,064,760**
Risk exposure amounts for market risk according to the standardised approach				
Foreign exchange risk	272,257	212,754	1,491,088	1,367,388
Total risk exposure amounts for market risk	**272,257**	**212,754**	**1,491,088**	**1,367,388**

Minimum capital requirements				
Credit risk according to standardized approach	2,016,993	1,371,102	2,107,657	1,445,181
Market risk according to standardized approach	21,781	20,217	119,287	109,391
Operative risk according to alternative standardized approach	76,729	429,551	76,437	390,016
Credit valuation adjustment	134	11	134	11
Total minimum capital requirements	**2,115,637**	**1,820,881**	**2,303,515**	**1,944,599**
Leverage ratio				
Tier 1 capital	7,913,117	2,922,833	4,820,245	3,577,255
Total leverage ratio exposure	38,528,570	26,601,364	38,928,014	26,977,302
Leverage ratio	**20.5%**	**11.0%**	**12.4%**	**13.3%**

Table 2 - Risk exposure amount and leverage ratio

The Internal Capital and Liquidity Adequacy Assessment Process - "ICLAAP"

The objective of the Internal Capital Adequacy Assessment Process and Internal Liquidity Adequacy Assessment Process (combined known as ICLAAP) is to ensure that Klarna clearly and correctly identifies, assesses and manages all risks to which it is exposed. The process considers the financial resources required to cover such risk, and to ensure that Klarna has access to sufficient capital and liquidity to support its business strategy over the coming planning horizon with regards to different market conditions. The main governing document for the ICLAAP is the ICLAAP policy adopted by the board. In this document, Klarna's board of directors define the responsibilities, processes and rules of the ICLAAP. The ICLAAP is performed at least yearly.

The internally assessed required capital is based on the minimum capital requirement, Pillar I, and additional capital required for other risks as determined as part of the ICLAAP, Pillar II, as well as the combined buffer requirements. The internally assessed required capital as of year-end 2019 (year-end 2018) amounts to SEK 3,747m (2,868) for Klarna Bank AB (publ) and SEK 3,438m (2,702) for the consolidated situation. Klarna thereby has sufficient capital to cover for required capital under Pillar I, including combined buffer requirements, and Pillar II.

6.1 Credit risk

Credit risk, defined as the risk of default on debt, includes the risk that the Group realizes a loss due to not having its receivables repaid, due to either a counterpart's inability or unwillingness to fulfil its obligations. The Group is mainly exposed to credit risk from four sources:

- Lending to individual consumers/members of the public/companies who choose to buy using the Group's payment products
- Exposure to merchants defaulting/bankruptcy who the Group partners with and processes payments for
- Directly lending to merchants
- Exposure to credit institutions, governments and municipalities as part of the investment strategy for the liquidity portfolio

The Group is exposed to credit risk in the following regions:

- Nordics (Sweden, Norway, Finland, Denmark)
- DACH (Germany, Austria, Switzerland)
- the Netherlands
- the United Kingdom
- the United States

The Group's credit risk management is executed by various business units, with the required standards ensured and managed through the Analytics competence area. Once the risk appetite limits are defined by the Board of Directors and executive management, these business units provide support with specialization in risk systems, data science and modelling, fraud management, compliance and legal management.

In order to mitigate the credit risk from individual consumers, the Group uses proprietary scoring models to perform an applicant's credit assessment. Model inputs consist of a number of purchase related data points, such as purchase amount and the specific merchant from which the purchase is made. This is combined with historical internal customer payment and credit behavior history and external information, to produce the scoring models. Due to differences in local legislation, the availability of external credit rating data and local customer behaviors, models tend to be specific to each product and country where the Group conducts business. Loans advanced to customers are a blend of flexible revolving credit options where customers pay at their own pace, with a defined minimum monthly payment, where fixed part payment offerings mostly vary between 3 and 48 months, and short term receivables with a weighted lifetime of between 10 and 30 days.

Customer repayment performances as well as expected losses given by the underwriting models are continuously monitored and the risk appetite for respective products and commercial regions is adjusted based on the development of the risk profile of the portfolio, as well as based on commercial considerations. The short average credit duration makes it possible to respond swiftly and effectively whenever lending conditions change by changing credit approval criteria. In addition to the scoring models, manual and automated processes are in place to detect potential fraudulent behavior and credit abuse.

The Group's reporting of credit risks focuses on metrics such as payment rates, delinquency rates and provisions as well as total loss rates experienced on the portfolio over time. Management and the Board receive reporting on Credit Risk on a regular basis.

The Group's credit risk appetite is defined by region and product and approved by Management and the Board. This is monitored regularly by teams in finance and product business units.

For credit exposure to the public, Klarna makes provisions to cover for expected losses. Table 3 illustrates how Klarna's provisions for loan losses changed during 2019. Table 4 shows a geographical breakdown of all exposures in accordance with the IFRS9 accounting framework as well as currently overdue receivables and loans per days overdue.

The total lending to the public consists of 59% Klarna Financing (Slice It), 36% Klarna Pay Later and 5% other. Klarna Financing (Slice It) is a fixed part payment over 1-36 months or flexible payment as the customer at his own pace determines how much is to be paid each month (though with a fixed minimum amount). Klarna Pay Later is a payment method where the customer can choose to pay within 14 or 30 days without interest.

Allowances according to IFRS 9						
SEKk			**Consolidated situation**			
	Stage 1	**Stage 2**	**Stage 3**	**POCI[1]**	**Simplified approach**	**Total**
Allowance as at 1 Jan 2019[2]	-286,664	-162,578	-450,495	-8,077	-32,418	-940,232
New assets originated or purchased	-1,459,050	-74,572	-18,305	-139	-34,340	-1,586,406
Assets derecognised or repaid (excl. write-offs)	1,470,746	568,419	711,790	545	9,120	2,760,620
Transfers to stage 1	-247,635	212,444	35,191			
Transfers to stage 2	998,025	-1,023,800	25,775			
Transfers to stage 3	216,030	1,072,402	-1,288,432			
Impact on year end ECL from change in credit risk[3]	-1,384,579	-895,156	-314,678	-12,466		-2,606,879
Changes to models and inputs used for ECL calculations		1,085				1,085
Amounts written off	5,527	14,200	743,396	2,572		765,695
Other adjustments	2,058	33,584	-75,573	-60	89	-39,902
Allowance as at 31 Dec 2019	-685,542	-253,972	-631,331	-17,625	-57,549	-1,646,019

Table 3 - Allowances in accordance with the accounting framework IFRS 9

Credit risk exposure and significant credit risk concentrations					
SEKk			**Consolidated situation**		
	Stage 1	**Stage 2**	**Stage 3**	**POCI[2]**	**Total**
Per region					
Sweden	7,835,738	459,732	167,711	-	8,463,181
DACH	9,555,618	859,422	338,555	25,439	10,779,034
Norway	2,313,949	248,632	103,913	-	2,666,494
Other	10,224,932	701,654	378,301	314	11,305,201
Total	29,930,237	2,269,440	988,480	25,753	33,213,910

[1] Financial assets that are purchased or originated credit-impaired
[2] The table shows month over month movements.
[3] The new impairment model implemented in the end of 2018 captures more gradual increases in ECL for Pay in 14 days/Pay in 30 days resulting in a higher increase in credit risk already in stage 1 compared to previous year, even though a significant increase in credit risk has not yet occurred.

Before due and per days past due					
Before due	25,150,193	705,193	345,372	169	26,200,927
≤30 days	4,780,044	169,826	37,152	2	4,987,024
>30-60 days	-	823,220	25,543	6	848,769
>60-90 days	-	373,326	15,450	-	388,776
>90 days	-	197,875	564,963	25,576	788,414
Total	29,930,237	2,269,440	988,480	25,753	33,213,910

Table 4 - Geographical breakdown of exposures according to IFRS9 and overdue receivables and loans

Credit losses

Loan losses increased to SEK 1,863m in 2019 from SEK 786m in 2018 as loans to the public grew significantly. Klarna's business model, with short average maturity and high credit turnover, results in relatively low loan losses in comparison to the total lending amount over the full financial year. Further information regarding credit losses can be found in Table 5.

Breakdown of credit losses		
SEKk	**Consolidated situation**	
Loans to credit institutions	**31 Dec 2019**	**31 Dec 2018**
Increase in provisions	-672	-39
Reversal of previous provisions	613	
Total	-59	-39
Loans to the public		
Realised loan losses	-1,858,103	-1,135,168
Allowances to cover realised loan losses	765,695	566,952
Recoveries on previous realised loan losses	647,077	516,086
Increase in provisions	-4,193,284	-1,716,003
Reversal of previous provisions	2,759,393	1,057,311
Total	-1,879,222	-710,822
Financial guarantees and commitments		
Increase in provisions	-104,630	-92,201
Reversal of previous provisions	121,094	17,495
Total	16,464	-74,706
Total credit losses, net	-1,862,817	-785,567

Table 5 - Total credit losses net of provisions

Other sources of credit risk

Merchants that offer Klarna's payment services also carry a credit risk. If a merchant closes down or becomes insolvent, there is a risk that Klarna will be unable to offset any subsequent returns from consumers – which Klarna guarantees on behalf of the consumers - against payments due from Klarna to the merchant or indemnities. Klarna works proactively with tracking, controlling and mitigating such Merchant credit risks including by using a longer payment delay on settlement payments towards merchants, as contractually agreed upon, or by entering into an insurance program. Klarna has a Merchant Credit Risk function that, among other tasks, assesses merchants' credit worthiness before they are onboarded. The financial status of the Klarna's largest merchant credit risks is also manually tracked. Merchant credit risk assessments are based on external credit bureau data and internal data. If a merchant credit risk is deemed outside the risk appetite, counter measures are taken to ensure that cooperation can continue under modified and acceptable terms.

Klarna is further exposed to credit risk through its bank counterparty exposure. Klarna's single bank counterparty exposures should be in relation to the business need (e.g. payment disbursement) and take into account the credit worthiness of the single counterparty. Klarna manages the exposure by setting exposure limits based on the bank rating and individual limits for particular counterparts which are managed by the Treasury function and independently controlled by Risk Control.

Klarna is also exposed to credit risk through its investments in debt securities held for liquidity management purposes. The risk of these investments is mitigated by only investing in government bonds, covered bonds, or debt securities issued by supranationals with at least a rating of AA by Standard & Poor's, by Swedish municipalities or the Swedish central bank ("Riksbanken").

Credit quality of bonds in portfolio		
SEKk	**Consolidated situation**	
Treasury bills chargeable at central banks, etc., and bonds and other interest-bearing securities	**31 Dec 2019**	**31 Dec 2018**
AAA[4]	3,574,785	1,668,839
AA+[4]	769,388	1,415,475
Total	4,344,173	3,084,314

Table 6 - Credit quality of bonds in portfolio

Another source of credit risk that Klarna is exposed to is the counterparty credit risk relating to derivative contracts. This means the risk of a counterparty failing to fulfil its contractual obligations, which could cause a loss for Klarna. The credit risk of derivative transactions is calculated according to the mark-to-market method with an additional credit value adjustment according to the standardised method. The derivative transactions currently used by Klarna are limited to currency swaps. All active derivative transactions, measured at fair value, are shown in Table 7 below.

Derivatives held for trading			
SEKk	**Consolidated situation**		
31 Dec 2019	**Fair value**		
Foreign exchange derivatives	**Positive**	**Negative**	**Total nominal amount**
Currency forwards	84,327	-59,869	10,854,895
Total	84,327	-59,869	10,854,895
31 Dec 2018	**Fair value**		
Foreign exchange derivatives	**Positive**	**Negative**	**Total nominal amount**
Currency forwards	24,074	-14,947	1,815,599
Total	24,074	-14,947	1,815,599

Table 7 – Derivatives held for trading

[4] Ratings from Standard & Poor's

Klarna calculates the capital requirement arising from credit risk exposures according to the standardised approach. Klarna uses the external rating agencies Moody's, Fitch and Standard and Poor's, to calculate risk-weighted exposure amounts for institute exposures, corporate exposures and local and central authorities. Klarna regularly updates its counterparty register with short and long ratings. If an institution has two ratings, the worst is selected and with three ratings available, the median is selected. Should there be no rating available, the assigned risk weight is instead based on the rating of the national government in the jurisdiction to which the institution belongs. Klarna's credit exposure, risk-weighted exposure and capital requirements per exposure class according to the standard method can be found in Table 8. The risk control function reports the follow-up of all defined limits for credit risks to the board at least quarterly. Any limit breaches are escalated immediately.

Capital requirements per exposure class according to the standard approach				
SEKk		**Consolidated situation**		
Exposure class	**Average exposure value during 2019**	**Exposure value as of 31 Dec 2019**	**Risk weighted exposure amount**	**Capital requirement**
Central governments or central banks	1,163,909	510,272		
Regional governments or local authorities	1,874,815	2,265,154		
Public sector entity	325,066			
Multilateral development banks	58,696	234,782		
Institutions	1,970,236	2,021,416	404,283	32,343
Corporates	1,133,612	1,593,025	1,516,407	121,313
Retail	22,671,119	27,617,719	20,713,290	1,657,063
Exposures in default	495,963	434,437	491,110	39,289
Covered bonds	475,903	1,633,589	163,359	13,069
Equity	20,081	20,081	50,203	4,016
Other items	876,691	1,407,767	1,873,756	149,900
Total	**31,066,092**	**37,738,242**	**25,212,408**	**2,016,993**

Table 8 - Capital requirements and exposure amounts by counterparty type

6.2 Market risk

Market risk is defined as the risk that the value of, or expected future cash flow from the Group's assets and liabilities, will decline as a result of market conditions.

The Group only invests in financial instruments for liquidity management purposes, and not with a speculative purpose. The nature of the Group's business implies that there is no exposure to commodity or equity risk. Interest and currency risk however exist as part of the business. The management of these risks is further described in the sections below.

Interest rate risk

Interest rate risk is the sensitivity of earnings or economic value of assets and liabilities held for non-trading purposes to changes in interest rates. It is defined as the risk of decreased market values of the Group's interest-bearing assets due to mismatches in repricing of assets and liabilities (value risk), or the risk of net interest return being negatively affected by changes in general interest rates (earnings risk).

The Group manages interest rate risk based on internal limits set by the Board. To comply with the internal limits the Group can enter into hedging instruments such as interest rate swaps.

Currency risk
Currency risk is the risk that arises from the change in the price of one currency against another. The Group is exposed to two different types of currency risk, translation risk and transaction risk.

Translation risk arises at revaluation of earnings, shareholders' equity and receivables of foreign subsidiaries and is primarily a result of revaluation of balance sheet items nominated in currencies other than the Group's reporting currency. Translation risks are monitored on a continuous basis.

Transaction risk is the exchange rate risk associated with the time delay between entering into a contract and settling it and primarily arises when Klarna Bank AB (publ) grants credit in currencies other than the reporting currency. The risk is mitigated by matching the lending assets with liabilities in the same currency, either by matching foreign currency assets with foreign currency loans or by entering into foreign exchange contracts. For 2019, exchange rate gain for the Group related to transaction risk is SEK 3,316k (-1,210).

Internal policies limit the fluctuations in currency exposures at Group level and the exposure is managed on a daily basis through the foreign exchange market.

Below is a statement of the currency exposure for each currency at the end of the reporting period. The exposure is defined as the net balance sheet position in each non-SEK currency.

Currency exposures	Klarna Holding Group							
SEKk	AUD	CHF	NOK	EUR	USD	GBP	Other	Total exposure
31 Dec 2019								
Net position	48,527	37,552	203,361	55,452	32,013	68,567	24,646	**470,118**
Effect of 10% change versus the foreign currency	-4,853	-3,755	-20,336	-5,545	-3,201	-6,857	-2,465	**-47,012**
31 Dec 2018								
Net position	98	10,993	152,148	11,984	20,898	42,329	25,258	**263,708**
Effect of 10% change versus the foreign currency	-10	-1,099	-15,215	-1,198	-2,090	-4,233	-2,526	**-26,371**

Table 9 - Currency exposures

The follow-up of all defined tolerance limits for market risk is reported at least quarterly to the Board by the Risk Control function. Any limit breaches are escalated in line with the defined escalation process.

The Group uses the standardized method for calculating capital requirements for market risk.

6.3 Liquidity risk

Liquidity risk is defined as the risk of the Group not being able to fund increases in lending assets and meet obligations as they become due. The Group has five main financing sources: operating liabilities, bank financing, retail deposits, commercial papers and bonds (senior and subordinated). The Group pledges parts of its receivables as collateral for financing from a counterpart bank. The methods for managing liquidity risk are described in the Risk Policy as well as in separate instructions.

The main liquidity measure is the Liquidity Coverage Ratio, defined in the EU's Commission Delegated Regulation. The Group monitors and forecasts its Liquidity Coverage Ratio on a daily basis to ensure that its portfolio of high quality liquid assets is sufficient to meet the requirements. The current LCR and its components can be found in Table 10 below. The Net Stable Funding Ratio (NSFR) is at 114 % for the Group and 97 % for Klarna Bank AB as of 31st of December 2019.

The follow-up of all defined tolerance limits for liquidity risk is reported at least quarterly to the Board by the Risk Control Function. Any limit breaches are escalated in line with the defined escalation process.

Liquidity Coverage Ratio (LCR)	
SEKk	**Consolidated situation**
31 Dec 2019	**Total**
Liquidity buffer	1,772,782
Net liquidity outflow	1,460,314
LCR (%)	121%
31 Dec 2018	**Total**
Liquidity buffer	3,484,645
Net liquidity outflow	1,558,018
LCR (%)	224%

Table 10 - Liquidity coverage ratio (LCR)

Funding sources SEKk			**Consolidated situation**			
31 Dec 2019	**up to 3 months**	**>3 to 6 months**	**>6 to 12 months**	**>1-5 years**	**>5 years**	
Financial liabilities						
Liabilities to credit institutions	2,320,259	-	431,283	2,187,982	-	**4,939,524**
Deposits from the public	2,998,139	4,808,583	2,950,785	1,530,146	-	**12,287,653**
Debt securities in issue[5]	898,137	1,187,550	1,752,000	1,745,016	-	**5,582,703**
Other liabilities	4,702,358	34,634	72,396	385,823	138,995	**5,334,206**
Accrued expenses and prepaid income	600,895	81,007	127,227	25,157	-	**834,286**
Subordinated liabilities[5]	2,582	452	-	-	595,291	**598,325**
Total	**11,522,370**	**6,112,226**	**5,333,691**	**5,874,124**	**734,286**	**29,576,697**

[5] Interest is included in the amounts for debt securities in issue and subordinated liabilities.

31 Dec 2018	up to 3 months	>3 to 6 months	>6 to 12 months	>1-5 years	>5 years	Total
Financial liabilities						
Liabilities to credit institutions	21,000	-	-	1,397,054	-	**1,418,054**
Deposits from the public	3,638,149	3,570,337	4,741,655	2,631,628	-	**14,581,769**
Debt securities in issue[6]	283	-	-	-	1,996,622	**1,996,905**
Other liabilities	3,719,530	42	36	1	644	**3,720,253**
Accrued expenses and prepaid income	302,525	64,697	112,195	19,662	-	**499,079**
Subordinated liabilities[5]	2,659	-	-	-	594,901	**597,560**
Total	**7,684,146**	**3,635,076**	**4,853,886**	**4,048,345**	**2,592,167**	**22,813,620**

Table 11 - Funding sources split by maturity

6.4 Operational risk

Operational risk is defined as the risk of losses resulting from inadequate or failed internal processes, from people and systems, or from external events.

The main operational risks that the Group faces are related to the significant growth of the Group. The increase in number of employees, number of transactions and the development of new products means a continuous need for new structures and processes as well as development of systems.

The foundation for the Group's work with operational risk is a risk assessment and internal control framework describing the main processes and the identified risks. The method to assess operational risks includes mapping all major processes in the business, identifying the main risks in each process, deciding and implementing adequate controls and finally testing of the controls. The Group also has processes in place for incident management, business continuity/crisis management, model risk management as well as approval of major changes (NPA Process). These methods for managing operational risk are described in the Risk Policy as well as in detailed separate instructions.

The follow-up of all defined tolerance limits for operational risk is reported at least quarterly to the Board by the Risk Control Function. The report also includes the status of operational risk management and relevant key risk indicators. Any limit breaches are escalated in line with a predefined escalation process.

The Group uses the standardized method for calculating capital requirements for operational risk.

[6] Interest is included in the amounts for debt securities in issue and subordinated liabilities.

7 Governance arrangements

The disclosures regarding the Board of Directors in accordance with CRR Article 435 are published at Klarna's website:

https://www.klarna.com/international/about-us/corporate-governance/the-board/

8 Remuneration

The rules on remuneration are found in the Swedish Banking and Financing Act (2004:297) and the Swedish Financial Supervisory Authority's regulations (FFFS 2011:1) regarding remuneration systems in credit institutions, securities companies and fund management companies licensed to conduct discretionary portfolio management (below "the remuneration rules").

In accordance with part eight of regulation (EU) No 575/2013, commonly referred to as the Capital Requirements Regulation (CRR), and the regulations and general guidelines of the Swedish Financial Supervisory Authority (FFFS 2014:12) regarding the disclosure of information on capital adequacy and risk management Klarna shall at least annually in its annual report and on its website give information on its Remuneration Policy and remuneration systems.

The disclosures regarding remuneration in accordance with CRR Article 450 can be found in the Annual Report 2019 on pages 34 through 36.

Appendix 1 Risk declaration pursuant to CRR Art 431(1)(e)

The Board of Directors of Klarna Bank AB (publ) and the Board's Audit, Compliance and Risk Committee (ACRC) exercise oversight over the risk management of the Klarna Group. The ACRC and the Board are satisfied that Klarna's risk management framework, as described below, is adequate for Klarna's risk profile and strategy.

Operationally, Klarna has adopted a “three lines of defense” framework for risk management. The second line of defense consists of the independent Risk Control and Compliance functions which ensure timely information to the ACRC and the Board. These functions set the principles and framework for risk management, facilitate risk assessment and perform independent control, including reporting of adherence to risk appetites, limits and frameworks.

Credit risk arises naturally in the course of Klarna's business. Klarna's proprietary scorecards allow it to control the level of credit risk taken on in the underwriting process. Risk build-up in the credit portfolio is adequately provisioned for and monitored through forward-looking and retrospective indicators.

Klarna's payment infrastructure automatically processes a large volume of transactions on a daily basis. These transaction flows combined with the rapid growth of the company result in operational risk management being a high priority area for the company. Klarna as a consequence has a comprehensive and detailed operational risk assessment process in place to identify, control and mitigate risks, including a process for approving new or significantly changed products, processes and systems. A robust incident management process ensures that any incidents that arise are contained with minimum loss for the company and its stakeholders.

Klarna invests in financial instruments for regulatory liquidity management purposes, and exclusively in high credit quality sovereign and municipal government securities of short maturities and with an active secondary market.

As part of Klarna's annual Internal Capital Adequacy and Liquidity Assessment Process (ICLAAP), supervised by Risk Control, material additional risks, if any, that the Group is facing are identified. The nature of Klarna's business gives rise to substantial in and outbound cash flows and thus a liquidity risk. Klarna actively manages its liquidity risk exposure and sources of liquidity on an on-going basis to ensure that the Group will always have the ability to meet regulatory requirements and to fulfill its commitments as they fall due. Currency mismatches that arise in the course of Klarna's business are actively hedged to reduce exposure. Furthermore, Klarna’s business gives rise to Interest Rate Risk in the Banking Book (IRRBB) related to the sensitivity of earnings or Economic Value of Assets and Liabilities held for non-trading purposes to changes in interest rates which refers to the current or prospective risk in Klarna’s capital and earnings arising from adverse movements in interest rates. To manage this risk, Klarna can adjust rates on its lending or enter into hedging instruments such as interest rate swaps.

As a final protection against losses arising from business and funding activities Klarna maintains capital buffers. Internal stress tests show that Klarna's own funds are sufficient to withstand a recession with resulting credit losses, as well as operational losses from potential significant incidents.

Appendix 2 Risk declaration pursuant to CRR Art 431(1)(f)

Klarna pursues a strategy characterized by growth through product innovation in new and current markets. Klarna's risk profile is, as a consequence, determined both by reductions in risk driven by incremental improvements in underwriting and operations in its existing markets, and by increased risk exposure through new markets and products. Klarna strives to at all times be sufficiently capitalized in order to support its growth strategy and to absorb losses.

To enable this strategy, the risk tolerances approved by Klarna's Board support risk taking in core business activities, specifically regarding credit risk where the high volume of originated loans require a high tolerance for losses in relation to the stock of loans outstanding at any given moment. Parallel to this, Klarna strives to minimize non-core risk taking in supporting functions and processes.

Key risk indicators				
SEKm		**Consolidated situation**		
	31 Dec 2019	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2016**
Total Assets	39,889	28,216	19,025	12,085
Lending to the public	29,655	19,979	13,874	8,450
Loss rate (% of average lending to the public)	1.02%	0.61%	0.57%	0.77%
Operational risk	39	12	17	54
Liquidity reserve (% of total assets)	8.66%	10.93%	9.71%	7.79%
Liquidity coverage ratio (%)	121%	221%	224%	195%
Capital ratio (% of risk exposure)	31.9%	15.0%	18.2%	18.8%

Appendix 3 Own funds balance sheet reconciliation

Reconciliation of shareholders' equity to regulatory capital	Consolidated situation		
SEKk	Carrying values as reported in financial statement	Adjustments under the scope of regulatory framework	Carrying values under the scope of regulatory framework
Common Equity Tier 1 (CET1) capital: instruments and reserves			
Total share capital	8,840,376		8,840,376
Of which: Share capital	2,278		2,278
Of which: Other capital contributions	8,838,098		8,838,098
Restricted fund	-		-
Reserves	225,268		225,268
Retained earnings	887,597		887,597
P&L current period	-865,394		-865,394
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**9,087,847**		**9,087,847**
Common Equity Tier 1: regulatory adjustments			
Adjustments to CET1 due to prudential filters	-	-164	-164
Goodwill	-1,354,423		-1,354,423
Other intangible assets (net of related tax liabilities)	-791,423	75,962	-715,461
Of which: Licenses	-7,831		-7,831
Of which: Trademarks	-1,393		-1,393
Of which: Capitalised development costs	-400,202		-400,202
Of which: Other intangible assets	-381,997		-381,997
Of which: Related tax liabilities	-	75,962	75,962
IFRS9 transitional adjustments	-	421,514	421,514
Total regulatory adjustments to Common Equity Tier 1	**-2,145,846**	**497,312**	**-1,648,534**
Common Equity Tier 1 capital	**6,942,001**	**497,312**	**7,439,312**
Additional Tier 1 (AT1) capital: instruments			
Additional Tier 1 instruments	506,372	-32,567	473,805
Additional Tier 1 capital	**506,372**	**-32,567**	**473,805**
Tier 1 capital	**7,448,373**	**464,745**	**7,913,117**
Tier 2 (T2) capital: instruments and provisions			
Subordinated liabilities	598,325	-63,284	535,041
Tier 2 capital	**598,325**	**-63,284**	**535,041**
Tier 1 capital	**7,448,373**	**464,745**	**7,913,117**
Total capital	**8,046,698**	**401,461**	**8,448,158**

Reconciliation of shareholders' equity to regulatory capital	Klarna Bank AB		
SEKk	Carrying values as reported in financial statement	Adjustments under the scope of regulatory framework	Carrying values under the scope of regulatory framework
Common Equity Tier 1 (CET1) capital: instruments and reserves			
Total share capital	4,857,892		4,857,892
Of which: Share capital	52,752		52,752
Of which: Other capital contributions	4,805,140		4,805,140
Restricted fund	390,209	2,109	392,318
Reserves	225,821	-225,821	0
Retained earnings	274,521		274,521
P&L current period	-738,119		-738,119
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**5,010,324**	**-223,712**	**4,786,612**
Common Equity Tier 1: regulatory adjustments			
Adjustments to CET1 due to prudential filters	-	-164	-164
Goodwill	-		-
Other intangible assets (net of related tax liabilities)	-524,607		-524,607
Of which: Licenses	-6,657		-6,657
Of which: Trademarks	-		-
Of which: Capitalised development costs	-395,498		-395,498
Of which: Other intangible assets	-122,451		-122,451
Of which: Related tax liabilities	-		-
IFRS9 transitional adjustments	-	308,404	308,404
Total regulatory adjustments to Common Equity Tier 1	**-524,607**	**308,240**	**-216,367**
Common Equity Tier 1 capital	**4,485,717**	**84,528**	**4,570,245**
Additional Tier 1 (AT1) capital: instruments			
Additional Tier 1 instruments	250,000		250,000
Additional Tier 1 capital	**250,000**		**250,000**
Tier 1 capital	**4,735,717**	**84,528**	**4,820,245**
Tier 2 (T2) capital: instruments and provisions			
Subordinated liabilities	598,325		598,325
Tier 2 capital	**598,325**		**598,325**
Tier 1 capital	**4,735,717**	**84,528**	**4,820,245**
Total capital	**5,334,042**	**84,528**	**5,418,570**

Appendix 4 Capital instruments main features

	Capital instruments main features	Common Equity Tier 1	Additional Tier 1	Additional Tier 1	Tier 2	Tier 2
1	Issuer	Klarna Holding AB	Klarna Holding AB	Klarna Bank AB	Klarna Bank AB	Klarna Bank AB
2	Unique identifier	SE0003490770	SE0011844356	SE0009888753	SE0011415538	SE0008435036
3	Governing law(s) of the instrument	Swedish law	Swedish law	Swedish law	Swedish law	Swedish law
	Regulatory treatment					
4	Transitional CRR rules	Common Equity Tier 1	Additional Tier 1	Additional Tier 1	Tier 2	Tier 2
5	Post-transitional CRR rules	Common Equity Tier 1	Additional Tier 1	Additional Tier 1	Tier 2	Tier 2
6	Eligible at solo/(sub-) consolidated/solo & (sub-) consolidated	Consolidated	Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Share capital	Additional Tier 1 Capital Notes	Additional Tier 1 Capital Notes	Subordinated Tier 2 Capital Notes	Subordinated Tier 2 Capital Notes
8	Amount recognised in regulatory capital (as of most recent reporting date)	SEK 2,278,338	SEK 256,372,091	SEK 250,000,000	SEK 300,479,082	SEK 297,845,601
9	Nominal amount of instrument	SEK 2,278,338	EUR 25,000,000	SEK 250,000,000	SEK 300,000,000	SEK 300,000,000
9a	Issue price	-	100%	100%	100%	100%
9b	Redemption value	-	100%	100%	100%	100%
10	Accounting classification	Shareholders' equity	Shareholders' equity	Shareholders' equity	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	-	2018-11-15	2017-05-26	2018-07-05	2016-06-20
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Dated	Dated
13	Original maturity date	No maturity	No maturity	No maturity	2028-07-05	2026-06-20
14	Issuer call subject to prior supervisory approval	-	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	-	2023-11-15	2022-05-26	2023-07-05	2021-06-20
16	Subsequent call dates, if applicable	-	Every quarter falling after the first call date	Every quarter falling after the first call date	Every quarter falling after the first call date	Every quarter falling after the first call date

	Coupons / dividends					
17	Fixed or floating dividend/coupon	Floating	Fixed to floating	Floating	Floating	Floating
18	Coupon rate and any related index	Fully discretionary	Fixed rate of 6.625% until optional call date. Floating rate of EURIBOR 3M + 6.277% afterwards	STIBOR 3M + 5.75%	STIBOR 3M + 3.5%	STIBOR 3M + 4.5%
19	Existence of a dividend stopper	No	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Fully discretionary	Fully discretionary	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Fully discretionary	Fully discretionary	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No	No
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	N/A	Non-convertible	Non-convertible	N/A	N/A
24	If convertible, conversion trigger(s)	-	-	-	-	-
25	If convertible, fully or partially	-	-	-	-	-
26	If convertible, conversion rate	-	-	-	-	-
27	If convertible, mandatory or optional conversion	-	-	-	-	-
28	If convertible, specify instrument type convertible into	-	-	-	-	-
29	If convertible, specify issuer of instrument it converts into	-	-	-	-	-

30	Write-down features	No	Yes	Yes	No	No
31	If write-down, write-down trigger(s)	-	CET1 ratio falls below 7% for the Consolidated situation of Klarna Bank AB	CET1 ratio falls below 5.125% for Klarna Bank AB or 7% for the Consolidated situation of Klarna Bank AB	-	-
32	If write-down, full or partial	-	Fully or partially	Fully or partially	-	-
33	If write-down, permanent or temporary	-	Temporary	Temporary	-	-
34	If temporary write-down, description of write-up mechanism	-	Fully discretionary	Fully discretionary	-	-
35	Position in subordinated hierarchy in liquidation	Immediately junior to holders of notes which constitutes Additional Tier 1 Capital	Immediately junior to holders of notes which constitutes Tier 2 Capital	Immediately junior to holders of notes which constitutes Tier 2 Capital	Immediately junior to claims of depositors and other unsubordinated creditors	Immediately junior to claims of depositors and other unsubordinated creditors
36	Non-compliant transitioned features	No	No	No	No	No
37	If yes, specify non-compliant features	-	-	-	-	-

Appendix 5 Own funds disclosure template

Own funds disclosure template SEKk		Consolidated situation	Regulation (EU) No 575/2013 Article Reference
	Common Equity Tier 1 (CET1) capital: instruments and reserves		
1	Capital instruments and the related share premium accounts	8,840,376	26(1), 27, 28, 29
	Of which: Share capital	2,278	EBA list 26(3)
	Of which: Share premium	8,838,098	EBA list 26(3)
2	Retained earnings	887,596	26(1)(c)
3	Accumulated other comprehensive income (and other reserves)	225,268	26(1)
3a	Funds for general banking risk		26(1)(f)
4	Amount of qualifying items referred to in Article 484(3) and the related share premium accounts subject to phase out from CET1		486(2)
5	Minority interest (amount allowed in consolidated CET1)		84
5a	Independently reviewed interim profits excluding any foreseeable charge or dividend		26(2)
6	**Common Equity Tier 1 capital before regulatory adjustments**	**9,953,240**	
	Common Equity Tier 1: regulatory adjustments		
7	Additional value adjustments (negative amount)	-164	34, 105
8	Intangible assets (net of related tax liability) (negative amount)	-2,069,884	36(1)(b), 37
	Of which: Goodwill (negative amount)	-1,354,423	
	Of which: Other intangible assets (net of related tax liability) (negative amount)	-715,461	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 36(3) are met) (negative amount)		36(1)(c), 38
11	Fair value reserves related to gains or losses on cash flow hedges		33(1)(a)
12	Negative amounts resulting from the calculations of expected loss amounts		36(1)(d), 40, 159
13	Any increase in equity that results from securitised assets (negative amount)		32(1)
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing		33(1)(b)
15	Defined-benefit pension fund assets (negative amount)		36(1)(e), 41
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)		36(1)(f), 42
17	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		36(1)(g), 44
18	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		36(1)(h), 43, 45, 46, 49(2) & (3), 79
19	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		36(1)(i), 43, 45, 47, 48(1)(b), 49(1) to (3), 79
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative		36(1)(k)
20b	Of which: qualifying holdings outside the financial sector (negative amount)		36(1)(k)(i), 89 to 91
20c	Of which: securitisation positions (negative amount)		36(1)(k)(ii), 243(1)(b), 244(1)(b), 258
20d	Of which: free deliveries (negative amount)		36(1)(k)(iii), 379(3)
21	Deferred tax assets arising from temporary difference (amount above 10 % threshold , net of related tax liability where the conditions in Article 38(3) are met) (negative amount)		36(1)(c), 38, 48(1)(a)
22	Amount exceeding the 15% threshold (negative amount)		48(1)
23	Of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities		36(1)(i), 48(1)(b)
25	Deferred tax assets arising from temporary difference		36(1)(c), 38, 48(1)(a)
25a	Losses for the current financial year (negative amount)	-865,394	36(1)(a)
25b	Foreseeable tax charges relating to CET1 items (negative amount)		36(1)(l)
27	Qualifying AT1 deductions that exceeds the AT1 capital of the institution (negative amount)		36(1)(j)
27a	IFRS 9 transitional adjustments to CET1 Capital	421,514	473a(8)
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**-2,513,928**	
29	**Common Equity Tier 1 (CET1) capital**	**7,439,312**	

	Additional Tier 1 (AT1) capital: instruments		
30	Capital instruments and the related share premium accounts	256,372	51, 52
31	Of which: classified as equity under applicable accounting standards	256,372	
32	Of which: classified as liabilities under applicable accounting standards		
33	Amount of qualifying items referred to in Article 484(4) and the related share premium accounts subject to phase out from AT1		486(3)
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interest not included in row 5) issued by subsidiaries and held by third parties	217,433	85, 86
35	Of which: instruments issued by subsidiaries subject to phase-out		486(3)
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**473,805**	
	Additional Tier 1 (AT1) capital: regulatory adjustments		
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)		52(1)(b), 56(a), 57
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holding with the institution designed to inflate artificially the own funds of the institution (negative amount)		56(b), 58
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		56(c), 59, 60, 79
40	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		56(d), 59, 79
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)		56(e)
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**0**	
44	**Additional Tier 1 (AT1) capital**	**473,805**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**7,913,117**	
	Tier 2 (T2) capital: instruments and provisions		
46	Capital instruments and the related share premium accounts		62, 63
47	Amount of qualifying items referred to in Article 484(5) and the related share premium accounts subject to phase out from T2		486(4)
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interest and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third party	535,041	87, 88
49	Of which: instruments issued by subsidiaries subject to phase-out		486(4)
50	Credit risk adjustments		62(c) & (d)
51	**Tier 2 (T2) capital before regulatory adjustment**	**535,041**	
	Tier 2 (T2) capital: regulatory adjustments		
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)		63(b)(i), 66(a), 67
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institutions designed to inflate artificially the own funds of the institution (negative amount)		66(b), 68
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)		66(c), 69, 70, 79
55	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amounts)		66(d), 69, 79
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**0**	
58	**Tier 2 (T2) capital**	**535,041**	
59	**Total capital (TC = T1 + T2)**	**8,448,158**	
60	**Total risk-weighted assets**	**26,445,453**	

	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	28.1%	92(2)(a)
62	Tier 1 (as a percentage of total risk exposure amount)	29.9%	92(2)(b)
63	Total capital (as a percentage of total risk exposure amount)	31.9%	92(2)(c)
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92(1)(a) plus capital conservation and countercyclical buffer requirements plus a systemic risk buffer, plus systemically important institution buffer expressed as a percentage of total REA)	8.1%	CRD 128, 129, 130, 131, 133
65	Of which: capital conservation buffer requirement	2.5%	
66	Of which: countercyclical buffer requirement	1.1%	
67	Of which: systemic risk buffer requirement	20.0%	
67a	Of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	28.1%	
68	Common Equity Tier 1 available to meet buffers (as a percentage of REA)	29.9%	CRD 128
	Amounts below the thresholds for deduction (before risk-weighting)		
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)		36(1)(h), 45, 46, 56(c), 59, 60, 66(c), 69, 70
73	Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions	20,081	36(1)(i), 45, 48
75	Deferred tax assets arising from temporary difference (amount below 10 % threshold , net of related tax liability where the conditions in Article 38(3) are met)	310,666	36(1)(c), 38, 48
	Applicable caps on the inclusion of provisions in Tier 2		
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)		62
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach		62
78	Credit risk adjustments included in T2 in respect of exposures subject to internal rating-based approach (prior to the application of the cap)		62
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach		62
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)		
80	Current cap on CET1 instruments subject to phase-out arrangements		484(3), 486(2) & (5)
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		484(3), 486(2) & (5)
82	Current cap on AT1 instruments subject to phase-out arrangements		484(4), 486(3) & (5)
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		484(4), 486(3) & (5)
84	Current cap on T2 instruments subject to phase-out arrangements		484(5), 486(4) & (5)
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		484(5), 486(4) & (5)

Own funds disclosure template SEKk		Klarna Bank AB	Regulation (EU) No 575/2013 Article Reference
	Common Equity Tier 1 (CET1) capital: instruments and reserves		
1	Capital instruments and the related share premium accounts	4,857,892	26(1), 27, 28, 29
	Of which: Share capital	52,752	EBA list 26(3)
	Of which: Share premium	4,805,140	EBA list 26(3)
2	Retained earnings	274,521	26(1)(c)
3	Accumulated other comprehensive income (and other reserves)	392,318	26(1)
3a	Funds for general banking risk		26(1)(f)
4	Amount of qualifying items referred to in Article 484(3) and the related share premium accounts subject to phase out from CET1		486(2)
5	Minority interest (amount allowed in consolidated CET1)		84
5a	Independently reviewed interim profits excluding any foreseeable charge or dividend		26(2)
6	**Common Equity Tier 1 capital before regulatory adjustments**	5,524,731	
	Common Equity Tier 1: regulatory adjustments		
7	Additional value adjustments (negative amount)	-164	34, 105
8	Intangible assets (net of related tax liability) (negative amount)	-524,607	36(1)(b), 37
	Of which: Goodwill (negative amount)		
	Of which: Other intangible assets (net of related tax liability) (negative amount)	-524,607	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 36(3) are met) (negative amount)		36(1)(c), 38
11	Fair value reserves related to gains or losses on cash flow hedges		33(1)(a)
12	Negative amounts resulting from the calculations of expected loss amounts		36(1)(d), 40, 159
13	Any increase in equity that results from securitised assets (negative amount)		32(1)
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing		33(1)(b)
15	Defined-benefit pension fund assets (negative amount)		36(1)(e), 41
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)		36(1)(f), 42
17	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		36(1)(g), 44
18	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		36(1)(h), 43, 45, 46, 49(2) & (3), 79
19	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		36(1)(i), 43, 45, 47, 48(1)(b), 49(1) to (3), 79
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative		36(1)(k)
20b	Of which: qualifying holdings outside the financial sector (negative amount)		36(1)(k)(i), 89 to 91
20c	Of which: securitisation positions (negative amount)		36(1)(k)(ii), 243(1)(b), 244(1)(b), 258
20d	Of which: free deliveries (negative amount)		36(1)(k)(iii), 379(3)
21	Deferred tax assets arising from temporary difference (amount above 10 % threshold , net of related tax liability where the conditions in Article 38(3) are met) (negative amount)		36(1)(c), 38, 48(1)(a)
22	Amount exceeding the 15% threshold (negative amount)		48(1)
23	Of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities		36(1)(i), 48(1)(b)
25	Deferred tax assets arising from temporary difference		36(1)(c), 38, 48(1)(a)
25a	Losses for the current financial year (negative amount)	-738,119	36(1)(a)
25b	Foreseeable tax charges relating to CET1 items (negative amount)		36(1)(l)
27	Qualifying AT1 deductions that exceeds the AT1 capital of the institution (negative amount)		36(1)(j)
27a	IFRS 9 transitional adjustments to CET1 Capital	308,404	473a(8)
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	-954,486	
29	**Common Equity Tier 1 (CET1) capital**	4,570,245	

	Additional Tier 1 (AT1) capital: instruments		
30	Capital instruments and the related share premium accounts	250,000	51, 52
31	Of which: classified as equity under applicable accounting standards	250,000	
32	Of which: classified as liabilities under applicable accounting standards		
33	Amount of qualifying items referred to in Article 484(4) and the related share premium accounts subject to phase out from AT1		486(3)
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interest not included in row 5) issued by subsidiaries and held by third parties		85, 86
35	Of which: instruments issued by subsidiaries subject to phase-out		486(3)
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**250,000**	
	Additional Tier 1 (AT1) capital: regulatory adjustments		
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)		52(1)(b), 56(a), 57
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holding with the institution designed to inflate artificially the own funds of the institution (negative amount)		56(b), 58
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		56(c), 59, 60, 79
40	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		56(d), 59, 79
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)		56(e)
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**0**	
44	**Additional Tier 1 (AT1) capital**	**250,000**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**4,820,245**	
	Tier 2 (T2) capital: instruments and provisions		
46	Capital instruments and the related share premium accounts	598,325	62, 63
47	Amount of qualifying items referred to in Article 484(5) and the related share premium accounts subject to phase out from T2		486(4)
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interest and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third party		87, 88
49	Of which: instruments issued by subsidiaries subject to phase-out		486(4)
50	Credit risk adjustments		62(c) & (d)
51	**Tier 2 (T2) capital before regulatory adjustment**	**598,325**	
	Tier 2 (T2) capital: regulatory adjustments		
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)		63(b)(i), 66(a), 67
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institutions designed to inflate artificially the own funds of the institution (negative amount)		66(b), 68
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)		66(c), 69, 70, 79
55	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amounts)		66(d), 69, 79
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**0**	
58	**Tier 2 (T2) capital**	**598,325**	
59	**Total capital (TC = T1 + T2)**	**5,418,570**	
60	**Total risk-weighted assets**	**28,793,937**	

	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	15.9%	92(2)(a)
62	Tier 1 (as a percentage of total risk exposure amount)	16.7%	92(2)(b)
63	Total capital (as a percentage of total risk exposure amount)	18.8%	92(2)(c)
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92(1)(a) plus capital conservation and countercyclical buffer requirements plus a systemic risk buffer, plus systemically important institution buffer expressed as a percentage of total REA)	8.2%	CRD 128, 129, 130, 131, 133
65	Of which: capital conservation buffer requirement	2.5%	
66	Of which: countercyclical buffer requirement	1.2%	
67	Of which: systemic risk buffer requirement		
67a	Of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer		
68	Common Equity Tier 1 available to meet buffers (as a percentage of REA)	7.7%	CRD 128
	Amounts below the thresholds for deduction (before risk-weighting)		
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)		36(1)(h), 45, 46, 56(c), 59, 60, 66(c), 69, 70
73	Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions	20,081	36(1)(i), 45, 48
75	Deferred tax assets arising from temporary difference (amount below 10 % threshold , net of related tax liability where the conditions in Article 38(3) are met)	233,832	36(1)(c), 38, 48
	Applicable caps on the inclusion of provisions in Tier 2		
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)		62
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach		62
78	Credit risk adjustments included in T2 in respect of exposures subject to internal rating-based approach (prior to the application of the cap)		62
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach		62
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)		
80	Current cap on CET1 instruments subject to phase-out arrangements		484(3), 486(2) & (5)
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		484(3), 486(2) & (5)
82	Current cap on AT1 instruments subject to phase-out arrangements		484(4), 486(3) & (5)
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		484(4), 486(3) & (5)
84	Current cap on T2 instruments subject to phase-out arrangements		484(5), 486(4) & (5)
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		484(5), 486(4) & (5)

Appendix 6 Macroprudential supervisory measures

Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer

Consolidated situation

SEKk

	General credit exposures		Trading book exposures		Securitisation exposure		Own funds requirements					
Breakdown by country	Exposure value for SA	Exposure value for IRB	Sum of long and short position of trading book	Value of trading book exposure for internal models	Exposure value for SA	Exposure value for IRB	Of which: General credit exposures	Of which: Trading book exposures	Of which: Securitisation exposures	Total	Own funds requirement weights	Countercyclical buffer rate
Austria	454,790						27,489			27,489	1%	0,00%
Denmark	149,571						9,023			9,023	0%	1,00%
Finland	2,471,431						149,084			149,084	8%	0,00%
France	301						19			19	0%	0,00%
Germany	9,584,442						584,341			584,341	29%	0,00%
Ireland	3						0			0	0%	1,00%
Liechtenstein	11						1			1	0%	0,00%
Netherlands	582,662						35,656			35,656	2%	0,00%
Norway	2,072,962						129,426			129,426	7%	2.5%
Slovakia	2						0			0	0%	1.5%
Sweden	11,425,630						671,749			671,749	34%	2.5%
Switzerland	6,137						491			491	0%	0,00%
United Kingdom	3,677,359						231,255			231,255	12%	1,00%
United States	2,280,159						146,596			146,596	7%	0,00%
Total	**32,705,144**						**1,985,130**			**1,985,130**	**100%**	**1.13%**

Amount of institution specific countercyclical capital buffer **Consolidated situation** **SEKk**	**31 Dec 2019**
Total risk exposure amount	26,445,453
Institution specific countercyclical buffer rate	1.13%
Institution specific countercyclical buffer requirement	298,839

Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer
Klarna Bank AB
SEKk

	General credit exposures		**Trading book exposures**		**Securitisation exposure**		**Own funds requirements**					
Breakdown by country	Exposure value for SA	Exposure value for IRB	Sum of long and short position of trading book	Value of trading book exposure for internal models	Exposure value for SA	Exposure value for IRB	Of which: General credit exposures	Of which: Trading book exposures	Of which: Securitisation exposures	Total	Own funds requirement weights	Countercyclical buffer rate
Austria	456,767						27,675			27,675	1%	0.00%
Denmark	149,537						9,020			9,020	0%	1.00%
Finland	2,475,708						149,549			149,549	7%	0.00%
Germany	9,743,968						609,760			609,760	29%	0.00%
Netherlands	580,985						35,536			35,536	2%	0.00%
Norway	3,246,391						223,618			223,618	11%	2.50%
Sweden	11,873,875						698,830			698,830	33%	2.50%
Switzerland	6,137						491			491	0%	0.00%
United Kingdom	3,678,011						231,307			231,307	11%	1.00%
United States	1,607,110						101,600			101,600	5%	0.00%
Total	**33,818,418**						**2,087,386**			**2,087,386**	**100%**	**1.22%**

Amount of institution-specific countercyclical capital buffer
Klarna Bank AB

SEKk	**31 Dec 2019**
Total risk exposure amount	28,793,937
Institution specific countercyclical buffer rate	1.22%
Institution specific countercyclical buffer requirement	351,264

Appendix 7 Disclosure on asset encumbrance

Encumbered and unencumbered assets SEKk	Consolidated situation			
Median over last four quarters	**Carrying amount of encumbered assets**	**Fair value of encumbered assets**	**Carrying amount of unencumbered assets**	**Fair value of unencumbered assets**
Assets of the reporting institution	6,577,467	0	25,702,864	0
Equity instruments	0	0	20,081	20,081
Debt securities	0	0	3,261,245	0
of which: covered bonds	0	0	0	0
of which: asset-backed securities	0	0	0	0
of which: issued by general governments	0	0	2,401,222	0
of which: issued by financial corporations	0	0	317,783	0
of which: issued by non-financial corporations	0	0	100,032	0
Other assets	6,577,467	0	22,437,867	0
of which: loans on demand	72,846	0	1,786,604	0
of which: loans and advances other than loans on demand	6,506,020	0	17,129,127	0
of which: other	0	0	3,522,136	0

Collateral received	**Fair value of encumbered collateral received or own debt securities issued**	**Fair value of collateral received or own debt issued available for encumbrance**
Collateral received by the reporting institution	9,700	0
Loans on demand	0	0
Equity instruments	0	0
Debt securities	0	0
of which: covered bonds	0	0
of which: asset-backed securities	0	0
of which: issued by general government	0	0
of which: issued by financial corporations	0	0
of which: issued by non-financial corporations	0	0
Loans and advances other than loans on demand	0	0
Other collateral received	0	0
Own debt securities issued other than own covered bonds or asset-backed securities	0	0
Own covered bonds and asset-backed securities issued and not yet pledged	0	0
Total assets, collateral received and own debt securities issued	9,700	0

Source of encumbrance	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	16,926	81,147
Derivatives	16,926	0
of which: Over-The-Counter	0	0
Deposits	0	72,846
Repurchase agreements	0	0
of which: central banks	0	0
Collateralised deposits other than repurchase agreements	0	72,846
of which: central banks	0	0
Debt securities issued	0	0
of which: covered bonds issued	0	0
of which: asset-backed securities issued	0	0
Other sources of encumbrance	2,671,470	6,506,020
Nominal of loan commitments received	2,671,470	6,506,020
Nominal of financial guarantees received	0	0
Fair value of securities borrowed with non-cash-collateral	0	0
Other	0	0
Total sources of encumbrance	2,718,331	6,587,167

Accompanying narrative information

An asset shall be treated as encumbered if it has been pledged or if it is subject to any form of arrangement to secure, collateralise or credit enhance any transaction from which it cannot be freely withdrawn. It is important to note that assets pledged that are subject to any restrictions in withdrawal, such as for instance assets that require prior approval before withdrawal or replacement by other assets, should be considered encumbered. The definition is not based on an explicit legal definition, such as title transfer, but rather on economic principles, as the legal frameworks may differ in this respect across countries. The definition however, is closely linked to contractual conditions.

One of the sources of encumbrance for Klarna includes collateral lent and received when conducting derivative transactions. Another major source of encumbrance stems from a collateralised revolving liquidity facility. Klarna considers a majority of its assets to be available for encumbrance.

The disclosed values above are derived from the median of the four quarterly end-of-period values over the previous 12 months.

Appendix 8 Disclosure on leverage ratio

Summary reconciliation of accounting assets and leverage ratio exposures		Consolidated situation
SEKk		Applicable amount
1	Total assets as per published financial statements	39,888,865
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	0
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013	0
4	Adjustments for derivative financial instruments	23,960
5	Adjustments for securities financing transactions (SFTs)	0
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	685,793
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013)	0
EU-6b	(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	0
7	Other adjustments	-2,070,048
8	**Total leverage ratio exposure**	**38,528,570**

Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)		Consolidated situation
SEKk		Leverage ratio exposures
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	39,804,537
EU-2	Trading book exposures	0
EU-3	Banking book exposures, of which:	39,804,538
EU-4	Covered bonds	1,633,588
EU-5	Exposures treated as sovereigns	2,775,426
EU-6	Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	234,782
EU-7	Institutions	1,913,129
EU-8	Secured by mortgages of immovable properties	0
EU-9	Retail exposures	27,617,719
EU-10	Corporate	1,593,025
EU-11	Exposures in default	434,437
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	3,602,431

Leverage ratio common disclosure		Consolidated situation
SEKk		Leverage ratio exposures
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	39,804,537
2	(Asset amounts deducted in determining Tier 1 capital)	-2,070,048
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**37,734,489**
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	84,327
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	23,960
EU-5a	Exposure determined under Original Exposure Method	0
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	0
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0
8	(Exempted CCP leg of client-cleared trade exposures)	0
9	Adjusted effective notional amount of written credit derivatives	0
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0
11	**Total derivative exposures (sum of lines 4 to 10)**	**108,287**
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	0
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0
14	Counterparty credit risk exposure for SFT assets	0
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	0
15	Agent transaction exposures	0
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	0
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**0**
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	6,857,934
18	(Adjustments for conversion to credit equivalent amounts)	-6,172,141
19	**Other off-balance sheet exposures (sum of lines 17 to 18)**	**685,793**
Exempted exposures in accordance with CRR Article 429(7) and (14) (on and off balance sheet)		
EU-19a	(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	0
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	0
Capital and total exposures		
20	**Tier 1 capital**	**7,913,117**
21	**Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	**38,528,569**
Leverage ratio		
22	**Leverage ratio**	**20.5%**
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	Transitional
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO 575/2013	0

Summary reconciliation of accounting assets and leverage ratio exposures		Klarna Bank AB
SEKk		**Applicable amount**
1	Total assets as per published financial statements	38,636,963
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	0
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013	0
4	Adjustments for derivative financial instruments	23,960
5	Adjustments for securities financing transactions (SFTs)	0
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	791,862
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013)	0
EU-6b	(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	0
7	Other adjustments	-524,771
8	**Total leverage ratio exposure**	**38,928,014**

Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)		Klarna Bank AB
SEKk		**Leverage ratio exposures**
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	38,552,636
EU-2	Trading book exposures	0
EU-3	Banking book exposures, of which:	38,552,636
EU-4	Covered bonds	1,633,589
EU-5	Exposures treated as sovereigns	2,668,814
EU-6	Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	234,782
EU-7	Institutions	1,192,327
EU-8	Secured by mortgages of immovable properties	0
EU-9	Retail exposures	26,533,365
EU-10	Corporate	3,240,690
EU-11	Exposures in default	396,939
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	2,652,130

Leverage ratio common disclosure		Klarna Bank AB
SEKk		Leverage ratio exposures
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	38,552,636
2	(Asset amounts deducted in determining Tier 1 capital)	-524,771
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	38,027,865
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	84,327
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	23,960
EU-5a	Exposure determined under Original Exposure Method	0
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	0
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0
8	(Exempted CCP leg of client-cleared trade exposures)	0
9	Adjusted effective notional amount of written credit derivatives	0
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0
11	**Total derivative exposures (sum of lines 4 to 10)**	108,287
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	0
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0
14	Counterparty credit risk exposure for SFT assets	0
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	0
15	Agent transaction exposures	0
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	0
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**0**
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	6,704,695
18	(Adjustments for conversion to credit equivalent amounts)	-5,912,833
19	**Other off-balance sheet exposures (sum of lines 17 to 18)**	791,862
Exempted exposures in accordance with CRR Article 429(7) and (14) (on and off balance sheet)		
EU-19a	(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	0
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	0
Capital and total exposures		
20	**Tier 1 capital**	4,820,245
21	**Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	38,928,014
Leverage ratio		
22	**Leverage ratio**	12.4%
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	Transitional
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO 575/2013	0

Appendix 9 IFRS 9 transitional disclosure

Comparison of own funds, capital and leverage ratios with and without the application of transitional arrangements for IFRS 9	Consolidated situation			
SEKk	31 Dec 2019	30 Sep 2019	30 June 2019	31 Mar 2019
Available capital (amounts)				
Common Equity Tier 1 (CET1) capital	7,439,312	7,665,982	3,386,342	2,319,835
CET1 capital as if IFRS 9 transitional arrangements had not been applied	7,017,798	7,381,004	3,293,140	2,232,544
Tier 1 capital	7,913,117	8,157,562	3,892,714	2,818,733
Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	7,491,603	7,872,584	3,799,513	2,731,442
Total capital	8,448,158	8,731,239	4,490,839	3,376,462
Total capital as if IFRS 9 transitional arrangements had not been applied	8,026,644	8,446,260	4,397,638	3,289,171
Risk exposure amounts				
Total risk exposure amount	26,445,453	27,757,297	25,434,302	23,731,981
Total risk exposure amount as if IFRS 9 transitional arrangements had not been applied	26,023,938	27,472,318	25,341,101	23,644,691
Capital ratios (as percentage of total risk exposure amount)				
CET1	28.1%	27.6%	13.3%	9.8%
CET1 as if IFRS 9 transitional arrangements had not been applied	27.0%	26.9%	13.0%	9.4%
Tier 1 capital	29.9%	29.4%	15.3%	11.9%
Tier 1 as if IFRS 9 transitional arrangements had not been applied	28.8%	28.7%	15.0%	11.6%
Total capital	31.9%	31.5%	17.7%	14.2%
Total capital as if IFRS 9 transitional arrangements had not been applied	30.8%	30.7%	17.4%	13.9%
Leverage ratio				
Total Leverage ratio exposure amount	38,528,570	33,553,450	29,016,069	26,531,313
Leverage ratio	20.5%	24.3%	13.4%	10.6%
Leverage ratio as if IFRS 9 transitional arrangements had not been applied	19.7%	23.7%	13.1%	10.3%

Comparison of own funds, capital and leverage ratios with and without the application of transitional arrangements for IFRS 9	Klarna Bank AB			
SEKk	31 Dec 2019	30 Sep 2019	30 June 2019	31 Mar 2019
Available capital (amounts)				
Common Equity Tier 1 (CET1) capital	4,570,245	4,078,857	3,227,171	3,263,263
CET1 capital as if IFRS 9 transitional arrangements had not been applied	4,261,842	3,899,717	3,132,405	3,166,962
Tier 1 capital	4,820,245	4,328,857	3,477,171	3,513,263
Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	4,511,842	4,149,717	3,382,405	3,416,962
Total capital	5,418,570	4,927,098	4,075,296	4,111,109
Total capital as if IFRS 9 transitional arrangements had not been applied	5,110,166	4,747,958	3,980,530	4,014,809
Risk exposure amounts				
Total risk exposure amount	28,793,937	30,302,991	27,595,600	25,556,180
Total risk exposure amount as if IFRS 9 transitional arrangements had not been applied	28,485,533	30,123,851	27,500,834	25,459,879
Capital ratios (as percentage of total risk exposure amount)				
CET1	15.9%	13.5%	11.7%	12.8%
CET1 as if IFRS 9 transitional arrangements had not been applied	15.0%	12.9%	11.4%	12.4%
Tier 1 capital	16.7%	14.3%	12.6%	13.7%
Tier 1 as if IFRS 9 transitional arrangements had not been applied	15.8%	13.8%	12.3%	13.4%
Total capital	18.8%	16.3%	14.8%	16.1%
Total capital as if IFRS 9 transitional arrangements had not been applied	17.9%	15.8%	14.5%	15.8%
Leverage ratio				
Total Leverage ratio exposure amount	38,928,014	33,997,279	29,376,345	26,528,082
Leverage ratio	12.4%	12.7%	11.8%	13.2%
Leverage ratio as if IFRS 9 transitional arrangements had not been applied	11.7%	12.3%	11.5%	12.9%

Appendix 10 Disclosure of Performing and Non-performing exposures

Credit quality of Performing and Non-performing exposures by past due days Consolidated situation SEKk							
	Performing	Non-performing					
			Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 5 years	Past due > 5 years
Loans and advances	**32,196,807**	**1,127,891**	**468,659**	**382,676**	**89,063**	**183,430**	**4,063**
Central banks	107,065	0	0	0	0	0	0
General governments	0	0	0	0	0	0	0
Credit institutions	1,926,546	0	0	0	0	0	0
Other financial corporations	940,982	1,205	28	1,126	4	46	1
Non-financial corporations	688,133	40,638	1,732	13,198	6,288	18,886	534
Of which SMEs	399,647	35,369	1,018	10,634	5,247	17,937	533
Households	28,534,081	1,086,047	466,899	368,352	82,771	164,497	3,528
Debt securities	**4,344,173**	**0**	**0**	**0**	**0**	**0**	**0**
Central banks	0	0	0	0	0	0	0
General governments	1,543,616	0	0	0	0	0	0
Credit institutions	2,800,557	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0
Non-financial corporations	0	0	0	0	0	0	0
Off-balance-sheet exposures	**10,617,476**	**2,757**					
Central banks	0	0					
General governments	0	0					
Credit institutions	0	0					
Other financial corporations	0	0					
Non-financial corporations	434	0					
Households	10,617,042	2,757					
Total	**47,158,456**	**1,130,648**	**468,659**	**382,676**	**89,063**	**183,430**	**4,063**

Appendix 11 Disclosure of Provisions for Performing and Non-performing exposures

Provisions for Performing and Non-performing exposures by past due days Consolidated situation SEKk							
	Performing	Non-performing					
			Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 5 years	Past due > 5 years
Loans and advances	**997 160**	**648 956**	**155 422**	**286 682**	**71 089**	**132 137**	**3 626**
Central banks	0	0	0	0	0	0	0
General governments	0	0	0	0	0	0	0
Credit institutions	211	0	0	0	0	0	0
Other financial corporations	1 799	58	7	12	4	35	1
Non-financial corporations	44 410	18 574	278	3 144	4 074	10 712	367
Of which SMEs	38 620	18 385	243	3 080	4 054	10 642	366
Households	950 741	630 324	155 138	283 526	67 012	121 390	3 258
Debt securities	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Central banks	0	0	0	0	0	0	0
General governments	0	0	0	0	0	0	0
Credit institutions	0	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0
Non-financial corporations	0	0	0	0	0	0	0
Off-balance-sheet exposures	**46 988**	**5 684**					
Central banks	0	0					
General governments	0	0					
Credit institutions	0	0					
Other financial corporations	0	0					
Non-financial corporations	0	0					
Households	46 988	5 684					
Total	**1 044 148**	**654 639**	**155 422**	**286 682**	**71 089**	**132 137**	**3 626**

Appendix 12 Disclosure of Forborne exposures

Credit quality of forborne exposures Consolidated situation SEKk	Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
	Performing forborne	Non-performing forborne						
			Of which defaulted	Of which impaired	On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures
Loans and advances	7,186	111,673	111,673	111,673	-3,015	-44,266	0	0
Central banks	0	0	0	0	0	0	0	0
General governments	0	0	0	0	0	0	0	0
Credit institutions	0	0	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0	0
Non-financial corporations	1	23	23	23	0	-9	0	0
Households	7,185	111,650	111,650	111,650	-3,015	-44,257	0	0
Debt Securities	0	0	0	0	0	0	0	0
Loan commitments given	0	0	0	0	0	0	0	0
Total	7,186	111,673	111,673	111,673	-3,015	-44,266	0	0

Appendix 13 Collateral obtained by taking possession and execution processes

Collateral obtained by taking possession, Non-performing exposures
Consolidated situation
SEKk

		Value at initial recognition	Accumulated negative changes
1	Property, plant and equipment (PP&E)	0	0
2	Other than PP&E	0	0
3	*Residential immovable property*	0	0
4	*Commercial Immovable property*	0	0
5	*Movable property (auto, shipping, etc.)*	0	0
6	*Equity and debt instruments*	0	0
7	*Other*	0	0
8	**Total**	**0**	**0**